General Assembly
Official Records
Seventieth Session
Supplement No. 5O

A/70/5/Add.15

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2014

and

Report of the Board of Auditors

United Nations • New York, 2015

Please recycle

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[21 July 2015]

Contents

Chapter		*Page*
	Letters of transmittal	4
I.	Report of the Board of Auditors on the financial statements: audit opinion on the financial statements	6
II.	Certification of the financial statements	8
III.	Financial report for the year ended 31 December 2014	9
	A. Introduction	9
	B. Adoption of the International Public Sector Accounting Standards	10
	C. Overview of the financial statements for the year ended 31 December 2014	11
	Annex Supplementary information	14
IV.	Financial statements for the year ended 31 December 2014	15
	I. Statement of financial position as at 31 December 2014	15
	II. Statement of financial performance for the year ended 31 December 2014	16
	III. Statement of changes in net assets for the year ended 31 December 2014	17
	IV. Statement of cash flows for the year ended 31 December 2014	18
	V. Statement of comparison of budget and actual amounts for the year ended 31 December 2014	18
	Notes to the 2014 financial statements	20
	Appendix Abbreviations	58

Letters of transmittal

Letter dated 31 March 2015 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to submit the accounts of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2014, which I hereby approve. The financial statements have been certified by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Residual Mechanism for Criminal Tribunals for the financial year ended 31 December 2014, which were submitted by the Secretary-General. These statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above-mentioned accounts, including the audit opinion thereon.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the United Nations Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion on the financial statements

We have audited the accompanying financial statements of the International Residual Mechanism for Criminal Tribunals, which comprise the statement of financial position (statement I) as at 31 December 2014, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General of the United Nations is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as he deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers such internal control as is relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Residual Mechanism for Criminal Tribunals as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the International Residual Mechanism for Criminal Tribunals that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also examined the management issues and concluded that there are no material managerial issues to draw to the attention of the General Assembly. Therefore, we did not issue a long-form audit report.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Chapter II
Certification of the financial statements

Letter dated 31 March 2015 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements for the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2014 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the Mechanism during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the International Residual Mechanism for Criminal Tribunals, numbered I to V, are correct.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter III
Financial report for the year ended 31 December 2014

A. Introduction

1. The Registrar has the honour to submit herewith the financial report on the accounts of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2014.

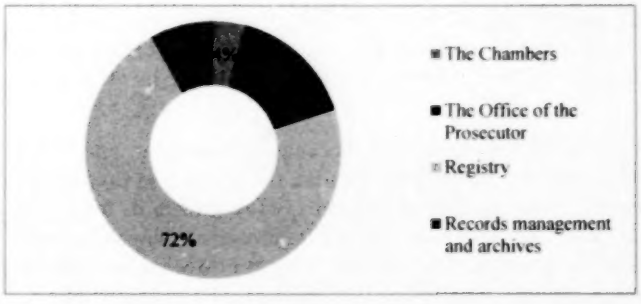
2. The present report is designed to be read in conjunction with the financial statements. Attached hereto is an annex which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. The Mechanism was established by the Security Council in its resolution 1966 (2010) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates.

4. The Mechanism comprises two branches. One branch covers functions inherited from the International Criminal Tribunal for Rwanda and is located in Arusha, United Republic of Tanzania. It commenced its operations on 1 July 2012. The other branch is located in The Hague, the Netherlands, and inherited functions from the International Tribunal for the Former Yugoslavia. It commenced its operations on 1 July 2013. The accompanying figure shows the relative proportion of the 2014 budget of the Mechanism for each of its programme components; the final budget totalled $58.785 million and expenditure was $26.237 million.

2014 final budget by component

(Percentage)



5. In accordance with its mandate, the Mechanism has assumed responsibility for many functions of the two Tribunals, including a range of judicial activities, the enforcement of sentences, resettlement of acquitted and released persons, the protection of victims and witnesses and the management of archives. As the Tribunals complete their work and progressively downsize their operations, the Mechanism is relying less on the support services of the two Tribunals and continues the process of establishing its own small self-standing administration. In 2014, the Mechanism continued to work closely with Tribunal principals and staff to ensure a smooth transition of the remaining functions and services and the harmonization and adoption of best practices.

B. Adoption of the International Public Sector Accounting Standards

6. For the first time, the financial statements of the International Residual Mechanism for Criminal Tribunals have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). In 2013 and prior years, the financial statements were prepared in accordance with the United Nations system accounting standards.

7. The adoption of IPSAS has been accepted as a best practice for accounting and reporting by the public sector and not-for-profit non-governmental organizations. The Mechanism adopted IPSAS on 1 January 2014, in accordance with General Assembly resolution 60/283, which cited IPSAS benefits for improving the quality, comparability and credibility of financial reporting across the United Nations system.

Highlights of key changes to the IPSAS financial statements of the Mechanism

8. Financial statements prepared in accordance with IPSAS use full accrual-based accounting, which is a significant change from the modified cash basis of accounting previously applied under the United Nations system accounting standards. Accrual-based accounting requires the recognition of transactions and events when they occur and the presentation of all assets and liabilities at reporting date. Accordingly, the accounting policies of the Mechanism have been updated to IPSAS; the summary of significant accounting policies, presented in note 3 to the financial statements, reflects this update.

9. Assets: Under the United Nations system accounting standards, physical assets and intangibles were expensed when purchased and did not appear on the balance sheet; under IPSAS, the Mechanism has reported property, plant and equipment and intangible assets net of related depreciation and amortization on the face of the financial statements. Assets qualifying as financial instruments are now fair valued, and thus the Mechanism's share of the investments of the United Nations cash pool reflects mark-to-market adjustments; also for the first time, the Mechanism has created allowance accounts to value doubtful accounts receivables in accordance with IPSAS.

10. Liabilities: Under the United Nations system accounting standards, only some liabilities were recognized; under IPSAS all liabilities are recognized. In preparation for IPSAS financial statements, the Mechanism had already recognized its long-term employee benefits liabilities of the after-service health insurance, unused annual leave and accrued repatriation benefits. The liabilities for the Mechanism include provisions for valid claims (legal or constructive) that can be reliably estimated.

11. Revenue: Under IPSAS, revenue is recognized when an agreement to provide unconditional contributions is signed, even prior to the receipt of cash or other asset. In accordance with IPSAS, the Mechanism will recognize revenue related to the donated right to occupancy of land contributed by the United Republic of Tanzania in 2015. Construction on the premises commenced in February 2015.

12. Expense: Expenses are now recorded in the financial statements only when goods and/or services have been received not when commitments have been made, as was the case under the United Nations system accounting standards. Thus, under IPSAS commitments against budgets do not qualify as an expense in the financial

statements. The Mechanism now reports on the face of the financial statements expenses related to depreciation/amortization of assets and actuarial service costs on its employee benefit liabilities.

13. Note disclosures: IPSAS requires significantly more note disclosures in the financial statements; some of the new areas of note disclosures for the Mechanism include reporting of explanations of material budget versus actual variances, reporting on key management personnel, reporting on details of measurement of employee benefit liabilities, reporting on details of the life cycle of property, plant and equipment and reporting on investment risks.

14. Of note is that the budget of the Mechanism continues to be prepared on a modified cash basis. As the accounting basis for the budget differs from the basis applied to the financial statements, reconciliation between expenditure on the budget basis and the statement of cash flows is provided in note 6.

15. In order to transition to IPSAS, the financial position as at 31 December 2013 was restated and IPSAS-compliant opening balances were compiled as at 1 January 2014, which resulted in an adjustment to the net asset position of the Mechanism (see statement III). Owing to the change of accounting basis in the first year of the adoption of IPSAS, a full suite of comparative information for the prior year is not provided in the financial statements.

C. Overview of the financial statements for the year ended 31 December 2014

16. Financial statements I, II, III, IV and V show the financial results of the activities of the Mechanism and its financial position as at 31 December 2014. The notes to the financial statements explain the Mechanism's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

17. In 2014, revenue totalled $61.970 million. The main sources of revenue were assessed contributions of $61.648 million received from Member States. The other sources of revenue included investment revenue and contribution in kind at $0.232 million and $0.09 million, respectively. Revenue reported as contribution in kind represents transfer of used equipment items from the International Criminal Tribunal for Rwanda, transfer of software from the International Tribunal for the Former Yugoslavia, as well as the staff time of the International Tribunal for the Former Yugoslavia spent on the development of the Legacy Website Project during the year.

Expenses

18. For the year ended 31 December 2014, expenses totalled $26.626 million. The main expense categories were staff costs of $19.687 million or 73.9 per cent, contractual services of $2.533 million or 9.5 per cent, other operating expenses of $3.247 million or 12.2 per cent, travel expenses of $0.746 million or 2.8 per cent, as well as depreciation and amortization of $0.412 million or 1.5 per cent. Information

for 2013 is not presented since it was prepared on a United Nations system accounting standards (modified cash) basis, which is not comparable.

19. Total personnel cost, which includes staff costs and judges' honorariums and allowances, amounted to $19.688 million; this amount represents 31.8 per cent of the total revenue, which was reported at $61.970 million for the year.

Operating results

20. The net surplus of revenue over expense in 2014, as measured under IPSAS, was $35.344 million; expenses were 42.9 per cent of total revenue owing largely to lower than anticipated judicial activity at the Arusha branch of the Registry.

Assets

21. Assets as at 31 December 2014 totalled $50.385 million compared with the balance at 31 December 2013 (adjusted for IPSAS compliance) of $50.497 million.

22. The main assets at 31 December 2014 were cash and cash equivalents and investments totalling $44.085 million, representing 87.5 per cent of the total assets, and assessed contributions receivables from Member States of $2.987 million, or 5.9 per cent. The remaining assets consisted of other accounts receivable, property, plant and equipment and intangible assets.

23. Cash and cash equivalents and investments of $44.085 million at 31 December 2014, other than small amounts held in field office imprest accounts, were held in the United Nations main cash pool. This represents a decrease of $1.809 million on the balance of $45.894 million held at the end of 2013.

Liabilities

24. Liabilities as at 31 December 2014 totalled $19.159 million compared with the balance at 31 December 2013 of $49.325 million.

25. The largest liability was the employee benefits earned by staff members and retirees; primarily these were liabilities for after-service health insurance. These liabilities accounted for $12.196 million, representing 63.7 per cent of the Mechanism's total liabilities, and are explained in detail in note 13 to the financial statements. The increase of these liabilities by $8.126 million is caused primarily by recognized actuarial losses and changes in valuation pursuant to IPSAS 25, as well as transferred liabilities relating to staff transferred from the International Tribunal for the Former Yugoslavia to the Mechanism.

26. The other significant liability was the other current liabilities of $4.832 million, largely relating to balances payable to the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. Other current liabilities reduced from $44.040 million at 31 December 2013 to $4.832 million at 31 December 2014, largely owing to the 2014 settlement by the Mechanism to the United Nations regular budget of transfers in accordance with General Assembly resolution 68/245.

Net assets

27. The net effect of the changes resulting from the adoption of IPSAS amounted to a $1.511 million increase in restated net assets as at 1 January 2014. The

movement in net assets during the year reflects an increase of $30.054 million from $1.172 million in 2013 after restating for IPSAS compliance, to $31.226 million in 2014, on account of the operating surplus of $35.344 million offset by actuarial losses of $5.29 million. As at 31 December 2014, the net assets of the Mechanism included a restricted portion of $5.568 million relating to the balance of the Special Account for the construction of the new Arusha facility.

Liquidity position

28. At 31 December 2014, the liquidity position of the Mechanism was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid assets totalled $31.399 million (cash and cash equivalents of $9.902 million, short-term investments of $18.156 million and accounts receivables of $3.341 million), whereas total current liabilities amounted to $7.931 million and total liabilities amounted to $19.159 million.

29. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2014 with comparatives for the year ended 31 December 2013:

	Year end 31 December	
Liquidity indicator	*2014*	*2013*
Ratio of liquid assets to current liabilities	3.9:1	0.6:1
Ratio of liquid assets less accounts receivables to current liabilities	3.5:1	0.6:1
Ratio of liquid assets to total assets	0.6:1	0.6:1
Average months of cash, cash equivalents and investments on hand*	20.2	n/a*

* Comparative not available.

30. The ratio of liquid assets to current liabilities indicates the ability of the Mechanism to pay its short-term obligations from its liquid resources. The ratio of 3.96:1 indicates that current liabilities are covered in excess of three times by liquid assets, and therefore there are sufficient liquid assets available to fully pay liabilities should the need arise. The change in the value of this ratio from 0.71:1 in the prior year points to an increased liquidity resulting from a decrease in current liabilities holdings as at the end of 2014. When accounts receivables are excluded from the analysis, the coverage of current obligations is at 3.54 for the current year and at 0.64 for the previous year.

31. At 31 December 2014, the Mechanism's liquid assets were about 60 per cent of its total assets and it held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation and amortization) of $2.185 million for 20.2 months.

32. As at the reporting date, the Mechanism had liabilities for employee benefits of $12.196 million. With total cash and cash equivalents and investments of $44.085 million, there was sufficient coverage for employee benefits liabilities; however, no amounts were reserved in the accounts to cover employee benefit liabilities to be paid in the future.

Annex

Supplementary information

1. The present annex provides supplementary information that the Registrar is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were no write-off cases of cash or receivables during 2014 with respect to the International Residual Mechanism for Criminal Tribunals.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), there were no write-offs of property during 2014 with respect to the financial statements of the Mechanism.

Ex gratia payments

4. There were no ex gratia payments made by the Mechanism during 2014.

Chapter IV
Financial statements for the year ended 31 December 2014

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Note	31 December 2014	1 January 2014
Assets			
Current assets			
Cash and cash equivalents	7	9 902	4 835
Investments	7	18 156	23 236
Assessed contributions receivable	7	2 987	1 187
Other accounts receivable	8	59	2 894
Other assets	9	295	78
Total current assets		**31 399**	**32 230**
Non-current assets			
Investments	7	16 027	17 823
Property, plant and equipment	10	2 673	444
Intangible assets	11	286	–
Total non-current assets		**18 986**	**18 267**
Total assets		**50 385**	**50 497**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	1 897	929
Employee benefits liabilities	13	968	444
Provisions	14	–	26
Advance receipts	15	234	260
Other liabilities	12	4 832	44 040
Total current liabilities		**7 931**	**45 699**
Non-current liabilities			
Employee benefits liabilities	13	11 228	3 626
Total non-current liabilities		**11 228**	**3 626**
Total liabilities		**19 159**	**49 325**
Net of total assets and total liabilities		**31 226**	**1 172**
Net assets			
Accumulated surpluses — unrestricted	16	25 658	(1 676)
Accumulated surpluses — restricted	16	5 568	2 848
Total net assets		**31 226**	**1 172**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*
Revenue		
Assessed contributions	17	61 648
Investment revenue	7	232
Contributions in kind	17	90
Total revenue		**61 970**
Expenses		
Employee salaries, allowances and benefits	18	19 687
Judges honorariums and allowances	18	1
Contractual services	18	2 533
Travel	18	746
Depreciation and amortization	10, 11	412
Other operating expenses	18	3 247
Total expenses		**26 626**
Surplus for the year		**35 344**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

III. Statement of changes in net assets for the year ended 31 December 2014

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) Unrestricted	*Accumulated surpluses/(deficits) Restricted*	*Total*
Net assets as at 31 December 2013 (United Nations system accounting standards)	**(3 187)**	**2 848**	**(339)**
IPSAS adjustments (note 4)			
Initial recognition of plant, property and equipment	444	–	444
Adjustment to deferred charges	(576)	–	(576)
Derecognition of unliquidated obligations	3 031	–	3 031
Initial recognition of accruals	(529)	–	(529)
Change in valuation of annual leave employee benefits liabilities	(604)	–	(604)
Initial recognition of employee benefits liabilities	(158)	–	(158)
Initial adjustment to staff receivables	(71)	–	(71)
Initial recognition of provisions	(26)	–	(26)
Total IPSAS adjustments	**1 511**	**–**	**1 511**
Restated net assets as at 1 January 2014 (IPSAS)	**(1 676)**	**2 848**	**1 172**
Changes in net assets			
Actuarial losses on employee benefits liabilities (note 13)	(5 245)	(45)	(5 290)
Surplus for the year	32 579	2 765	35 344
Total changes in net assets	**27 334**	**2 720**	**30 054**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

IV. Statement of cash flows for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*
Cash flows from operating activities		
Surplus for the year		**35 344**
Non-cash movements		
Depreciation and amortization	10, 11	412
Contribution in kind	17	(90)
Actuarial losses on employee benefits liabilities		(5 290)
Changes in assets		
Increase in assessed contributions receivable		(1 800)
Decrease in other accounts receivable		2 835
Increase in other assets		(216)
Changes in liabilities		
Increase in accounts payable and accrued liabilities		968
Increase in employee benefits liabilities		8 126
Decrease in provisions		(26)
Decrease in contributions or payments received in advance		(26)
Decrease in other liabilities		(39 208)
Investment revenue presented as investing activities		(232)
Net cash flows from operating activities		**797**
Cash flows from investing activities		
Net receipts from main cash pool investments		6 876
Investment revenue presented as investing activities		232
Contribution in kind	17	90
Acquisition of property, plant and equipment		(2 637)
Acquisition of intangible assets		(291)
Net cash flows from investing activities		**4 270**
Cash flows from financing activities		
Net cash flows from/(used in) financing activities		**–**
Net increase in cash and cash equivalents		**5 067**
Cash and cash equivalents — beginning of year		**4 835**
Cash and cash equivalents — end of year	**7**	**9 902**

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2014

(Thousands of United States dollars)

	Budget (appropriation)[a]				*Actual expenditure (budget basis)*	*Difference*[b] *(percentage)*
	Original biennium	*Final biennium*	*Original annual*	*Final annual*		
Mechanism						
A. Chambers	4 289	4 140	2 145	2 070	50	-97.6
B. Office of the Prosecutor	18 791	18 250	9 396	9 125	5 491	-39.8
C. Registry	86 356	85 277	43 178	42 639	18 304	-57.1
D. Records management and archives	10 861	9 903	5 431	4 952	2 392	-51.7
Total	**120 297**	**117 570**	**60 150**	**58 786**	**26 237**	**-55.4**

[a] Original and final budget amounts relate to the current year 50 per cent proportion of publicly available biennial budgets as allocated to each component in performance reports to the General Assembly (A/69/598) for the Mechanism. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium (resolution 68/257) for the Mechanism.

[b] Actual expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 6.

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals
Notes to the 2014 financial statements

Note 1
Reporting entity

United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, set out the primary objectives of the Organization as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the United Nations major organs as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations;

(b) The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations, headquartered in New York, has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Reporting entity

4. These financial statements relate to the International Residual Mechanism for Criminal Tribunals, a separate financial reporting entity of the United Nations. The Mechanism was established by the Security Council in its resolution 1966 (2010) to carry out a number of essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates. The Mechanism comprises two branches:

(a) One which inherited functions from the International Criminal Tribunal for Rwanda (which commenced operations on 1 July 2012) and is located in Arusha, United Republic of Tanzania;

(b) One which inherited functions from the International Tribunal for the Former Yugoslavia (which commenced operations on 1 July 2013) and is located in The Hague, the Netherlands.

5. In accordance with resolution 1966 (2010), the Mechanism consists of three organs:

(a) The Chambers, comprising a trial chamber for each branch of the Mechanism and an appeals chamber common to both branches of the Mechanism. The Mechanism has a roster of 25 independent judges, not more than two of whom are nationals of the same state. Each Trial Chamber is composed of three judges from the roster. In the event of an appeal against a decision by a Trial Chamber, the Appeals Chamber shall be composed of five judges.

(b) The Office of the Prosecutor, common to both branches of the Mechanism, is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, and serious violations of international humanitarian law committed in the territory of Rwanda and Rwandan citizens responsible for such violations committed in the territory of neighbouring States between 1 January and 31 December 1994. The Prosecutor acts independently as a separate organ of the Mechanism.

(c) The Registry, common to both branches of the Mechanism, is responsible for the administration and servicing of the Mechanism, including the Chambers and the Office of the Prosecutor.

6. The Mechanism is regarded as an autonomous financial reporting entity which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the Mechanism is not deemed to be subject to common control. Therefore these financial statements include only the operations of the Mechanism.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

7. In accordance with the United Nations Financial Regulations and Rules, these financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the Mechanism, comprise the following:

(a) Statement I: Statement of financial position;

(b) Statement II: Statement of financial performance;

(c) Statement III: Statement of changes in net assets;

(d) Statement IV: Statement of cash flows (using the indirect method);

(e) Statement V: Statement of comparison of budget and actual amounts;

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes.

8. These financial statements have been prepared on a going concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going concern assertion is based on the positive historical trend of collection of assessed contributions, the net assets position and the approval by the General Assembly of the revised budget requirements for the biennium 2014-2015, which occurred in December 2014.

9. This is the first set of financial statements prepared in compliance with IPSAS, which includes application of certain transitional provisions as identified below. Prior to 1 January 2014, these financial statements were prepared in accordance with the United Nations system accounting standards, a modified cash basis of accounting.

10. The adoption of the new accounting standards, including the related IPSAS-compliant policies, has resulted in changes to the assets and liabilities recognized by the Mechanism. Accordingly, the last audited statement of assets, liabilities and reserves and fund balances at 31 December 2013 has been revised and the resulting changes are summarized in the statement of changes in net assets.

Authorization for issue

11. These financial statements are certified by the Controller and approved by the Secretary-General of the United Nations. In accordance with financial regulation 6.2, the Secretary-General transmits these financial statements as at 31 December 2014 to the Board of Auditors. In accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, shall be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions.

Measurement basis

12. The financial statements, which are for the year 1 January to 31 December, are prepared using the historic cost convention except for certain assets as stated in note 3.

Functional and presentation currency

13. The functional currency and the presentation currency of the Mechanism is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

14. Foreign currency transactions are translated into United States dollars at the United Nations Operational Rates of Exchange (UNORE) at the date of the transaction. The UNORE approximate the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those currencies other than the functional currency, are translated at the year-end UNORE. Non-monetary foreign currency items measured at historical cost or fair value are translated at the UNORE prevailing at the date of the transaction or when the fair value was determined.

15. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgement and estimation

16. Materiality is central to the preparation and presentation of the Mechanism's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would impact the conclusions or decisions of the users of the financial statements.

17. Preparing financial statements in accordance with IPSAS requires use of estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

18. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation and amortization method for property, plant and equipment and intangible assets; impairment of assets; classification of financial instruments; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets and liabilities.

IPSAS transitional provisions

19. As permitted on first-time adoption of IPSAS, the following transitional provisions have been applied:

(a) IPSAS 1: Presentation of financial statements — comparative information is provided only for the statement of financial position;

(b) IPSAS 4: The effects of changes in foreign exchange rates — the cumulative translation differences that may have existed at the date of first-time adoption of IPSAS are deemed to be zero;

(c) IPSAS 17: Property, plant and equipment allows a transitional period of up to five years prior to full recognition of capitalized property, plant and equipment. The Mechanism partially invoked this transitional provision and has not recognized leasehold improvements;

(d) IPSAS 31: Intangible assets is applied prospectively to intangible assets. A number of key systems, whose software costs were incurred prior to 1 January 2014, are not recognized in opening balances because the Mechanism has invoked this transitional provision. A number of systems, whose software costs were incurred prior to 1 January 2014, such as Mercury and Sun, are not recognized in opening balances owing to the invoking of this transitional provision.

Future accounting pronouncements

20. The progress and impact of the following significant future International Public Sector Accounting Standards Board accounting pronouncements on the Mechanism's financial statements continues to be monitored:

(a) Reporting service performance information: to use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programmes and services that focuses on meeting the needs of users;

(b) Social benefits: the project objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements;

(c) Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e., transactions or other events that bring two or more separate operations into a single public sector entity;

(d) Public sector-specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector-specific financial instruments which are outside the scope of those covered by IPSAS 28: Financial instruments: presentation, IPSAS 29: Financial instruments: recognition and measurement and IPSAS 30: Financial instruments: disclosures.

Future requirements of IPSAS

21. On 30 January 2015, the Board of IPSAS published five new standards: IPSAS 34: Separate financial statements; IPSAS 35: Consolidated financial statements; IPSAS 36: Investments in associates and joint ventures; IPSAS 37: Joint arrangements; and IPSAS 38: Disclosure of interests in other entities. Application of these standards is required for periods beginning on or after 1 January 2017. The impact of these standards on the Mechanism's financial statements is being evaluated for application of the new standards by 1 January 2017.

Note 3
Significant accounting policies

Financial assets: classification

22. The Mechanism classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date. Classification of financial assets primarily depends on the purpose for which the financial assets are acquired.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in the main cash pool
Loans and receivables	Cash and cash equivalents and receivables

23. All financial assets are initially measured at fair value. The Mechanism initially recognizes financial assets classified as loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date the Mechanism becomes party to the contractual provisions of the instrument.

24. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the UNORE exchange rates prevailing at the reporting date with net gains or losses recognized in surplus or deficit in the statement of financial performance.

25. Financial assets at fair value through surplus or deficit are those that have been either designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

26. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

27. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year they arise.

28. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Mechanism has transferred substantially all risks and rewards of the financial asset.

29. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in the main cash pool

30. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

31. The Mechanism's investment in the main cash pool is included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity of the investments.

Financial assets: cash and cash equivalents

32. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions — contributions

33. Contributions receivable represents uncollected revenue from assessed contributions committed to the Mechanism by Member States and non-Member States. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables of Member States that are subject to the General Assembly voting rights restriction set forth in Article 19 of the Charter of the United Nations owing to arrears equalling or exceeding the amount of the contributions due from it for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment: 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established; rather, disclosures will be made in the notes to the financial statements.

Financial assets: receivables from exchange transactions — other receivables

34. Other receivables primarily include amounts receivable for goods or services provided to other entities and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing.

Other assets

35. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Heritage assets

36. Heritage assets are not recognized in the financial statements but significant heritage assets are disclosed in the notes to the financial statements.

Property, plant and equipment

37. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies, such as: vehicles;

temporary and mobile buildings; communication and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (building, infrastructure and asset under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater or equal to the threshold of $5,000 or $100,000 for buildings, leasehold improvements, infrastructure assets and self-constructed assets;

(b) All property, plant and equipment other than real estate assets is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, real estate assets are initially recognized at fair value using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it existed), or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost;

(d) For property, plant and equipment acquired at nil or nominal cost, such as donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

38. Property, plant and equipment are depreciated over their estimated useful life using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Significant components of major owned buildings with different useful life are depreciated using the components approach. Depreciation commences in the month when the Mechanism gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are:

Class	*Subclass*	*Estimated useful life*
Communication and information technology equipment	Information technology equipment	4 years
	Communication and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6-12 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	
	Security and safety equipment	

Class	*Subclass*	*Estimated useful life*
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings	Up to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

39. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated in the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets, which revealed that the majority of such assets had relatively short useful lives of 10 years or less.

40. The Mechanism elected the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Mechanism and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

41. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

42. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a

year-end net book value greater than $500,000 are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

43. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is $100,000 for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

44. Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the Mechanism are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultants costs, and other applicable overhead costs.

45. Intangible assets with definite useful life are amortized on a straight-line method, over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational. The useful lives of major classes of intangible assets have been estimated as follows:

Class	*Range of estimated useful life*
Software acquired externally	3-10 years
Software and websites internally developed	3-10 years
Licences and rights	2-6 years (period of licence/right)
Copyrights	3-10 years
Assets under development	Not amortized

46. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when their indicators of impairment are identified.

Financial liabilities: classification

47. Financial liabilities are classified as "other financial liabilities". They include accounts payable, judges' benefits liabilities, unspent funds held for future refunds and other liabilities such as balances payables to other United Nations system entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are recognized at their nominal value. The Mechanism re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

48. Accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoiced amounts, less discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value as they are generally due within 12 months.

Advance receipts and other liabilities

49. Other liabilities consist of advance receipts relating to contributions or payments received in advance, liabilities for conditional funding arrangements, assessed contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the Mechanism's revenue recognition policies.

Leases: the Mechanism as lessee

50. Leases of property, plant and equipment where the Mechanism has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term based on the effective interest rate method.

51. Leases where all of the risks and rewards of ownership are not substantially transferred to the Mechanism are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Donated rights to use

52. The Mechanism occupies land and buildings and uses infrastructure assets, machinery and equipment through donated rights-to-use agreements granted primarily by host Governments at nil or nominal cost. Based on the term of the agreement, and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

53. In the case of operating leases, an expense and a corresponding revenue equal to the annual market rent of similar property is recognized in the financial statements. In the case of finance lease (principally with lease term over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. Additionally, a liability for the same amount is recognized, which is progressively recognized as revenue over the term period.

54. Long-term donated rights to use building and land arrangements are accounted for as operating lease where the Mechanism does not have exclusive control over the building and title to the land is not granted.

55. The threshold for the recognition of revenue and expense is yearly rental value equivalent of $5,000 per donated rights to use premises, land, infrastructure, machinery and equipment.

Employee benefits

56. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations established by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

57. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes, and home leave) provided to current employees based on services rendered. All such benefits which are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

58. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and annual leave that are accounted for as defined benefit plans in addition to the United Nations Joint Staff Pension Fund.

Defined benefit plans

59. Defined benefit plans are those where the obligation of the Mechanism is to provide agreed benefits and therefore it bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Mechanism has elected to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the year end, the Mechanism did not hold any plan assets as defined by IPSAS 25: Employee benefits.

60. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds with maturity dates approximating those of the individual plans.

61. After-service health insurance: Provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end-of-service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain

eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Mechanism's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Mechanism's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Mechanism's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

62. Repatriation benefits: Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and to travel and removal expenses. A liability is recognized from when the staff member joins the Mechanism and is measured as the present value of the estimated liability for settling these entitlements.

63. Annual leave: The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore the Mechanism recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the statement of financial position. Annual leave benefits are considered to be a post-employment defined benefit and as such are recognized on the same actuarial basis as other defined benefit plans.

Pension plan: United Nations Joint Staff Pension Fund

64. The Mechanism is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

65. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The Mechanism, in line with other participating organizations, is not in a position to identify the Mechanism's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Mechanism has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Mechanism's contributions to the Pension Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

66. Termination benefits are recognized as an expense only when the Mechanism is demonstrably committed, without realistic possibility of withdrawal, to a formal

detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

67. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

Provisions

68. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Mechanism has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation.

Contingent liabilities

69. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mechanism; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets

70. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Mechanism.

Commitments

71. Commitments are future expenses to be incurred by the Mechanism on contracts entered into by the reporting date and that it has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the Mechanism in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

72. Assessed contributions for the Mechanism are assessed and approved for a two-year budget period. The relevant portion of assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed to the Member States to finance the activities of the Mechanism in accordance with the scale of assessments determined by the General Assembly. Revenue from assessed contributions from Member States and from non-Member States is presented in the statement of financial performance.

Non-exchange revenue: other

73. In-kind contributions of goods, above the recognition threshold of $5,000 per discrete contribution, are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Mechanism and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Mechanism has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of service, above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

74. Exchange transactions are those in which the Mechanism sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met.

75. Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to governments, United Nations entities or other partners is recognized when the service is performed. Exchange revenue also includes income from the rental of premises, the sale of used or surplus property and service to visitors from guided tours, and income from net gains resulting from currency exchange adjustments.

Investment revenue

76. Investment revenue includes the Mechanism's share of net main pool income and other interest income. The net main pool income includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against income and the net income is distributed proportionately to all main pool participants based on their daily balances. The main pool income also includes unrealized market gains and losses on securities, which are distributed proportionately to participants based on their year-end balances.

Expenses

77. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual

basis when goods are delivered and services are rendered regardless of the terms of payment.

78. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, assignment, repatriation, hardship and other allowances.

79. Contractual services include non-employee compensation such as consultant fees and related allowances and benefits. Other operating expenses include any maintenance, utilities, training, security services, shared services, rental, insurance, allowance for bad debt and write-off expenses.

Note 4
First implementation of IPSAS: opening balances

80. On 1 January 2014, the Mechanism adopted IPSAS accrual-based financial accounting standards; the conversion to full accrual accounting resulted in significant changes to accounting policies and in the type and measurement of assets, liabilities, revenue and expenses recognized. Adjustments and reclassifications were made to the United Nations system accounting standards statement of assets, liabilities and reserves and fund balances as at 31 December 2013 to arrive at the 1 January 2014 IPSAS opening statement of financial position.

81. The net effect of the changes resulting from the adoption of IPSAS adjustments amounted to a $1.511 million increase in net assets. Line-by-line adjustments to net assets are shown in the statement of changes in net assets.

Note 5
Segment reporting

82. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

83. These financial statements represent the activities of the Mechanism, which comprises one activity that was established under a single Security Council resolution. While the budgetary process includes a breakdown that reflects the organizational structure into the Chambers, the Prosecutor and the Registry, each of those organs does not meet the definition of a segment as they do not represent different activities for which financial information is reported separately in order to evaluate past performance in achieving its objectives and making decisions about the future allocation of resources.

84. Therefore, for segment reporting purposes, the Mechanism has one segment.

Note 6
Comparison to budget

85. Statement V: The statement of comparison of budget and actual amounts presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

86. Approved budgets are those that authorize expenses to be incurred and are approved by the General Assembly. In its resolution 68/257 of 27 December 2013, the Assembly approved the Mechanism's budget appropriations for the biennium 2014-2015. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations.

87. The original 2014 budget reflects the proportion of the biennium budget allocated to 2014. The final budget reflects the original budget appropriation with any amendments as allocated to each component in performance reports to the General Assembly (see A/69/598) for the Mechanism. Differences between original and final budget amounts, all of which are smaller than 10 per cent, relate to exchange rate, inflation and vacancy changes. Explanations for material differences, those greater than 10 per cent, between the final budget amounts and actual expenditure on a modified cash basis are considered below.

Material differences greater than 10 per cent

Mechanism	
A. Chambers	Expenditure 97.6 per cent less than the final budget: The variance in expenditure vis-à-vis the final budget is due to a lower than anticipated level of judicial activity at the Arusha branch, mainly owing to the non-arrest of fugitives, and therefore a reduction in the requirement under judges' honorariums.
B. Office of the Prosecutor	Expenditure 39.8 per cent less than the final budget: The variance in expenditure vis-à-vis the final budget is due to lower than anticipated use of general temporary assistance owing to the non-arrest of fugitives (Arusha branch) and in support of appeals requirements of the Mechanism (Hague branch).
C. Registry	Expenditure 57.1 per cent less than the final budget: The variance in expenditure vis-à-vis the final budget is due to a lower than anticipated level of judicial activity at the Arusha branch, mainly owing to the non-arrest of fugitives, and therefore a reduction in related requirements under posts and general temporary assistance.
D. Records management and archives	Expenditure 51.7 per cent less than the final budget: The variance in expenditure vis-à-vis the final budget is primarily due to delays encountered in the purchasing and technical implementation of the Digital Repository

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

88. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is as follows:

Reconciliation of actual amounts on a comparable basis to the statement of cash flows

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(23 309)**	**(2 928)**	**–**	**(26 237)**
Basis differences	(37 542)	322	–	(37 220)
Presentation differences	61 648	6 876	–	68 524
Actual amounts in the statement of cash flows (statement IV)	**797**	**4 270**	**–**	**5 067**

89. Basis differences comprise the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated obligations which are commitments against budget but do not represent a cash flow, outstanding assessed contributions and payments against prior year obligations which do not apply to 2014 must be eliminated. Similarly, IPSAS-specific differences such as cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to reconcile to the statement of cash flows.

90. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting income and the net changes in main pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into the operating, investing and financing activities.

91. Entity differences arise when the budget omits programmes or entities that are part of the Mechanism as reported in the statement of cash flows or vice versa. These differences represent cash flows to/from fund groups other than the Mechanism that are reported in the financial statements. There are no entity differences.

92. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. As the budget reflects the 2014 proportion of the biennium, there are no timing differences.

Status of appropriations

93. In accordance with General Assembly resolution 69/256, gross appropriations for the Mechanism for the biennium 2014-2015 and gross assessments for each year are as follows:

(Thousands of United States dollars)

	Gross appropriation
Mechanism	
Initial appropriation for the biennium 2014-2015 (resolution 68/257)	120 297
First performance report for the biennium 2014-2015 (A/69/598)	(2 727)
Recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/69/655)	(2 048)
Revised Mechanism appropriation for the biennium 2014-2015	**115 522**
Mechanism assessment for 2014	(60 148)
Remaining Mechanism assessment applicable to 2015	**55 374**

Note 7
Financial instruments

(Thousands of United States dollars)

Financial instruments	*31 December 2014*
Financial assets	
Fair value through the surplus or deficit	
Short-term investments — main pool	18 156
Long-term investments — main pool	16 027
Total, fair value through the surplus or deficit investments	**34 183**
Loans and receivables	
Cash and cash equivalents — main pool	9 364
Cash and cash equivalents — other	538
Subtotal, total cash and cash equivalents	**9 902**
Assessed contributions receivable	2 987
Other receivables (note 8)	59
Other assets (excludes deferred charges) (note 9)	295
Total, loans and receivables	**13 243**
Total carrying amount of financial assets	**47 426**
Of which relates to financial assets held in the main pool	43 547
Financial liabilities at amortized cost	
Accounts payable and accrued liabilities (note 12)	1 897
Other liabilities (excludes deferred revenue) (note 12)	4 832
Total, carrying amount of financial liabilities	**6 729**
Summary of net income from financial assets	
Share of main pool net interest and gains	300
Other income loss	(68)
Total	**232**

Note 8
Other accounts receivable: receivables from exchange transactions

(Thousands of United States dollars)

	31 December 2014
Other receivables	
Governments	10
Staff members	18
Vendors	31
Allowance for doubtful receivables	–
Total	**59**

Note 9
Other assets

(Thousands of United States dollars)

	31 December 2014
Other assets	
Education grant advances	159
Prepayment to vendors and witnesses	136
Total	**295**

Note 10
Property, plant and equipment

94. In accordance with IPSAS 17, opening balances are initially recognized at cost or fair value as of 1 January 2014 and measured at cost thereafter. Machinery and equipment, information technology and communications and vehicles are valued using the cost method; to make the determination of opening balances, all items with a zero net book value at the IPSAS adoption date (based on the agreed useful lives) are included in the gross value of property, plant and equipment.

95. As at the reporting date, the Mechanism did not identify any additional impairments. Assets under construction relate to the construction of the new Arusha facility, in accordance with resolution 66/240, which is expected to come into use in early 2016. The Mechanism has no significant heritage assets as at the reporting date.

Property, plant and equipment

(Thousands of United States dollars)

	Furniture and fixtures	*Information technology and communications*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost as at 1 January 2014	5	531	208	87	–	831
Additions	–	1 848	50	11	748	2 657
Cost as at 31 December 2014	**5**	**2 379**	**258**	**98**	**748**	**3 488**
Accumulated depreciation as at 1 January 2014	4	229	95	59	–	387
Depreciation	1	365	30	12	–	408
Other depreciation adjustments	–	–	20	–	–	20
Accumulated depreciation as at 31 December 2014	**5**	**594**	**145**	**71**	**–**	**815**
Net carrying amount						
1 January 2014	1	302	113	28	–	444
31 December 2014	**–**	**1 785**	**113**	**27**	**748**	**2 673**

Note 11
Intangibles

96. All intangible assets acquired before 1 January 2014 are subject to IPSAS transitional provisions and are therefore not recognized.

(Thousands of United States dollars)

	Intangible assets	*Total*
Cost at 1 January 2014	–	–
Additions	290	290
Cost at 31 December 2014	**290**	**290**
Amortization at 1 January 2014	–	–
Amortization	4	4
Accumulated amortization at 31 December 2014	**4**	**4**
Net carrying amount		
1 January 2014	–	–
31 December 2014	**286**	**286**

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2014
Accounts payable and accrued liabilities	
Vendors	30
Staff members	26
Accrued expenses	1 425
United Nations entities	248
Inter-office payable — inter-office vouchers	168
Total, accounts payable and accrued liabilities	**1 897**
Other liabilities	**4 832**

Note 13
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Current liabilities		
After-service health insurance liability	9	5
Accumulated annual leave	146	119
Repatriation grant	278	162
Accrued salaries and allowances	535	158
Subtotal, current liabilities	**968**	**444**
Non-current liabilities		
Accumulated annual leave	1 724	861
Repatriation grant	1 715	1 111
After-service health insurance liability	7 789	1 654
Subtotal, non-current liabilities	**11 228**	**3 626**
Total, employee benefits liabilities	**12 196**	**4 070**

97. The liabilities arising from post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. The most recent actuarial valuation was conducted as at 31 December 2014.

Actuarial valuation — assumptions

98. The Mechanism reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to

determine the employee benefit obligations in the 31 December 2014 full valuation are:

Assumptions	*After-service health insurance (percentage)*	*Repatriation benefits (percentage)*	*Annual leave (percentage)*
Discount rates: 31 December 2013	5.16	4.28	4.47
Discount rates: 31 December 2014	4.12	3.53	3.6
Inflation: 31 December 2013	4.50-7.30	2.50	–
Inflation: 31 December 2014	4.50-6.80	2.25	–

99. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (euro area government yield curve) and Swiss francs (the Federation bonds yield curve). Consistent with the decrease observed since 31 December 2013 of interest rates of all maturities in the three areas, lower discount rates were applied in the 2014 valuation.

100. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trends assumptions that were used for the valuation as of 31 December 2013, which included escalation rates for future years, were maintained since no significant evolution regarding medical trend has been observed. At 31 December 2014, these escalation rates were a flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans, health-care escalation rates of 6.8 per cent for all other medical plans (except 6.1 per cent for the United States Medicare plan, and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent over nine years.

101. With regard to valuation of repatriation benefits as of 31 December 2014, inflation in travel costs was assumed at 2.25 per cent, based on the projected United States inflation rate over the next 10 years.

102. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1 to 3 years — 10.9 days; 4-8 years — 1 day; and over 8 years — 0.5 days up to the maximum 60 days. Since the annual leave actuarial valuation method under the United Nations system accounting standards was not in compliance with IPSAS, the actuarial valuation method for the 1 January 2014 IPSAS opening balances and the 31 December closing balances was changed from the straight-line to the attribution method. The opening balances impact of this change was an increase in liability of $0.604 million, which is disclosed in the statement of changes in net assets.

103. Assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the Pension Fund in making its actuarial valuation.

Movement in employee benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Reconciliation of defined benefit obligation				
Defined benefit obligation 31 December 2013	1 659	1 273	376	3 308
Adjustment to opening balance to reflect change in valuation methodology recognized in net assets	–	–	604	604
Subtotal adjusted opening balance 1 January 2014	**1 659**	**1 273**	**980**	**3 912**
Current service cost	232	139	126	497
Interest cost	86	51	41	178
Benefits paid (net of participant contribution)	(6)	(169)	(124)	(299)
Transfers	1 711	119	219	2 049
Liability losses owing to actuarial assumptions and experience recognized in net assets	4 116	546	628	5 290
Defined benefit obligation 31 December 2014	**7 798**	**1 959**	**1 870**	**11 627**

Discount rate sensitivity analysis

104. The changes in discount rates are driven by the discount curve, which is calculated based on corporate and government bonds. The bond markets vary over the reporting year and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as follows:

Discount rate sensitivity to end-of-year employee benefit liabilities

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(1 899)	(195)	(195)
Decrease of discount rate by 1 per cent	2 689	224	231

Medical costs sensitivity analysis

105. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, that would impact the measurement of the defined benefit obligations as follows:

1 per cent movement in the assumed medical costs trend rates

(Thousands of United States dollars)

	Increase	*Decrease*
Effect on the defined-benefit obligation	569	(423)
Effect on the aggregate of the current service cost and interest cost	124	(104)

Other defined benefit plan information

106. The General Assembly, in its resolution 67/257 of 12 April 2013, endorsed the decision of the International Civil Service Commission in its report (A/67/9) to support the recommendation of the Pension Fund to raise the mandatory age of retirement to 65 years for new staff of member organizations of the Fund effective 1 January 2014. Actuaries determined that this increase in the normal age of retirement would not have a material effect on the valuation of those liabilities.

Accrued salaries and allowances

107. Accrued salaries and allowances as of 31 December 2014 consist of accruals for home leave ($0.196 million); accruals for outstanding payments for staff members separated in December 2014 ($0.041 million); pension contribution payable ($0.289 million); and other miscellaneous accrual for staff entitlements ($0.009 million). The Mechanism recognized no termination benefits in the year.

United Nations Joint Staff Pension Fund

108. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

109. The Mechanism's financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.90 per cent for participants and 15.80 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

110. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as of 31 December 2015.

111. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

112. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly has not invoked the provision of article 26.

113. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants of the Pension Fund, with effect not later than from 1 January 2014. The related change to the Regulations of the Fund was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

114. During 2014, the Mechanism's contributions paid to the United Nations Joint Staff Pension Fund amounted to $3.150 million.

Note 14
Provisions

115. At 1 January 2014, the Mechanism had a $0.026 million provision for one case, which was settled in the year. There are no provisions as at 31 December 2014.

Note 15
Contributions or payments received in advance

116. Contributions or payments received in advance amount to $0.234 million.

Note 16
Net assets

117. Net assets are comprised of the accumulated surpluses/deficits, which represent the residual interest in the assets of the Mechanism after deducting all its liabilities.

Note 17
Revenue

Assessed contributions

118. Assessed contributions of $61.6 million have been recorded for the Mechanism in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations.

Other exchange revenue

119. Other exchange revenue comprises contribution in kind from the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda for transfer of software, used equipment, as well as staff time spent on the Legacy Website Project during the year.

Other exchange revenue

(Thousands of United States dollars)

	31 December 2014
Contribution in kind	90
	90

Note 18
Expenses

Employee salaries, allowances and benefits

120. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	31 December 2014
Salaries and allowances	17 262
Current portion of movement in employee benefits liabilities	2 425
Total	**19 687**

Contractual services

121. Contractual services expenses include non-employee compensation, and allowances consist of defence counsel and consultant fees.

(Thousands of United States dollars)

	31 December 2014
Defence counsel	163
Detention services	2 143
Translation and verbatim reporting	143
Other	84
Total	**2 533**

Travel

122. Travel expenses include all staff and non-staff travel which is not considered to be an employee allowance/benefit.

(Thousands of United States dollars)

	31 December 2014
Staff travel	690
Non-staff travel	56
Total	**746**

Other operating expenses

123. Other operating expenses include maintenance, utilities, training, security services, shared services, rental, insurance, allowance for bad debt, write-off expenses, hospitality and official functions, foreign exchange losses, losses on sale of property, plant and equipment and donation/transfer of assets.

(Thousands of United States dollars)

	31 December 2014
Rent — Office and premises	1 512
Maintenance of premises and equipment	513
Claims and medical services for detainees	414
Utilities	279
Acquisitions	204
Foreign exchange loss	43
Other rental (equipment, vehicles)	127
Other expenses	155
Total	**3 247**

Note 19
Financial instruments and financial risk management

Main pool

124. In addition to directly held cash and cash equivalents, the Mechanism participates in the United Nations main pool. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and through the ability to spread yield curve exposures across a range of maturities. The allocation of main pool assets (cash and cash equivalents, short-term investments and long-term investments) and income is based on each participating entity's principal balance. As at 31 December 2014, the main pool held total assets of $9,462.8 million; of that amount, $43.547 million was due to the Mechanism.

Summary of assets and liabilities in the main pool

(Thousands of United States dollars)

	31 December 2014
Fair value through the surplus or deficit	
Short-term investments	3 930 497
Long-term investments	3 482 641
Total, fair value through the surplus or deficit investments	**7 413 138**
Loans and receivables	
Cash and cash equivalents — Main pool	2 034 824
Accrued investment income	14 842
Total, loans and receivables	**2 049 666**
Total, carrying amount of financial assets	**9 462 804**
Main pool liabilities	
Payable to the Mechanism	43 547
Payable to other main pool participants	9 419 257
Total, carrying amount of financial liabilities	**9 462 804**
Main pool net assets	–
Summary of net income from the main pool	
Investment revenue	62 511
Financial exchange (losses)	(7 064)
Unrealized (losses)	(3 084)
Bank fees	(214)
Net income from the main pool	**52 149**

Financial risk management: overview

125. The Mechanism has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

126. The present note provides information on the Mechanism's exposure to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Financial risk management: framework

127. The Mechanism's risk management practices are in accordance with the Financial Regulations and Rules of the United Nations and the Investment Management Guidelines. The Mechanism defines the capital that it manages as the aggregate of its net assets, which is composed of accumulated fund balances. Its

objectives are to safeguard its ability to continue as a going concern, to fund its operations and to fulfil its mandated objectives. The Mechanism manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

128. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

129. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

130. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto. Other than disclosed, the Mechanism has not identified any further risk concentrations arising from financial instruments.

Credit risk

131. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less impairment is the maximum exposure to credit risk.

Credit risk management

132. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed, mortgage-backed securities or in equity products.

Credit risk: receivables

133. A large portion of receivables is due from entities which do not have significant credit risk. As at the reporting date, the Mechanism does not hold any collateral as security for receivables. It evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Mechanism will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules of the United Nations or are reversed when the previously impaired receivables are received.

Credit risk: assessed contributions

134. The ageing of assessed contributions receivable and associated allowance is:

(Thousands of United States dollars)

Ageing of assessed contributions receivable	*Gross receivable*	*Allowance*
Less than one year	2 157	–
One to two years	713	–
Over two years	117	0
Total	**2 987**	**0**

Credit risk: cash and cash equivalents

135. The Mechanism held cash and cash equivalents of $9.902 million at 31 December 2014, which is the maximum credit exposure on these assets.

Credit risk: main pool

136. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At the year-end, the main pool credit ratings were:

Main pool: credit ratings as at 31 December 2014

	Main cash pool ratings
Bonds	S&P: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+; 7.7% not rated by S&P; Moody's: 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated
Discounted instruments	S&P: 100% A-1+; Moody's: 70.0% P-1 and 30.0% not rated; Fitch: 90.0% F1+ and 10.0% not rated
Term deposits	Fitch: 64.1% aa- and 35.9% a+/a/a-

137. The United Nations Treasury actively monitors credit ratings and, given that the Mechanism has only invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Liquidity risk

138. Liquidity risk is the risk that the Mechanism might not have adequate funds to meet its obligations as they fall due. The Mechanism's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

139. The Financial Regulations and Rules of the United Nations require that expenses be incurred after receipt of funds from donors, thereby considerably

reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk management criteria are adhered to with regard to the amounts receivable.

140. The Mechanism and the United Nations Treasury perform cash-flow forecasting and monitor rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes, based on cash-flow forecasting. The Mechanism maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: main pool

141. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. Main pool liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

142. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there were appropriate resources to meet its financial obligations. At the reporting date, the Mechanism has not pledged any collateral for any liabilities or contingent liabilities, and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Mechanism can be required to settle each financial liability are:

Maturities for financial liabilities as at 31 December 2014

(Undiscounted thousands of United States dollars)

	Within 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable	1 897	–	–	1 897
Other liabilities	4 832	–	–	4 832
Total	**6 729**	**–**	**–**	**6 729**

Market risk

143. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Mechanism's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Mechanism's fiscal position.

Market risk: currency risk

144. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Mechanism has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to limited currency risk arising from fluctuations in exchange rates. Management policies and the Guidelines require the Mechanism to manage its currency risk exposure. Given the Mechanism's share of the main pool and that the main pool is predominantly denominated in United States dollars, the Mechanism has limited currency risk relating to main pool assets. Therefore, in conjunction with the low risk for other financial instruments, the Mechanism considers currency risk to be low.

Market risk: interest rate risk

145. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to change in interest rates. In general, as interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk.

146. Fixed-rate cash and cash equivalents and investments are the Mechanism's interest-bearing financial instruments. The main pool is its main exposure to interest risk. As at the reporting date, the main pool invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average duration of the main pool was 1.1 years, which is considered to be an indicator of low risk.

Market risk: main pool interest rate risk sensitivity analysis

147. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase/decrease of the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equal 1 per cent). These basis point shifts are illustrative:

Main pool interest rate risk sensitivity analysis as at 31 December 2014

Shift in yield curve basis points	-200	-150	-100	-50	0	50	100	150	200
Increase/(decrease) in fair value: (Millions of United States dollars)									
Share of main pool sensitivity	**0.95**	**0.71**	**0.47**	**0.24**	–	**(0.24)**	**(0.47)**	**(0.71)**	**(0.95)**

Market risk: other

148. The main pool is not exposed to significant other price risk, as it does not sell short, or borrow securities, or purchase securities on margin, which limits the potential loss of capital. The Mechanism is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of

certain commodities regularly used in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

149. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

150. The table analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

151. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

152. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

153. The following fair value hierarchy presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Financial assets at fair value through surplus or deficit

(Thousands of United States dollars)

Fair value hierarchy — Total main pool	*Level 1*	*Level 2*	*Total*
Main pool			
Bonds — Non-United States agencies	2 154 956	–	2 154 956
Bonds — Non-United States sovereigns	691 489	–	691 489
Bonds — Supranationals	440 169	–	440 169
Bonds — United States Treasuries	1 297 290	–	1 297 290
Discounted instruments	999 234	–	999 234
Term deposits	–	1 830 000	1 830 000
Total main pool	**5 583 138**	**1 830 000**	**7 413 138**

Note 20
Related parties

Key management personnel

154. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. For the Mechanism, key management personnel comprises the President at the Under-Secretary-General level (contracted by the International Tribunal for the Former Yugoslavia), the Prosecutor (contracted by the International Criminal Tribunal for Rwanda) and the Registrar (contracted by the International Tribunal for the Former Yugoslavia) at the Assistant Secretary-General level (who together constitute the Coordination Council of the Mechanism). These persons have the relevant authority and responsibility for planning, directing and controlling the Mechanism's activities.

155. The aggregate remuneration paid to the key management personnel includes net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer pension and health insurance contributions. Such remuneration was paid by the contracting agency of the International Tribunal for the Former Yugoslavia or the International Criminal Tribunal for Rwanda rather than the Mechanism for 2014.

156. No close family members of key management personnel were employed by the Mechanism at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; any such advances against entitlements are widely available to all staff of the Mechanism.

Related entity transactions

157. In the ordinary course of business, to achieve economies in executing transactions, financial transactions are often executed by one financial reporting entity on behalf of another and then subsequently settled.

Balances reflected in the Tax Equalization Fund

158. These financial statements report employee benefits expenses on a net-of-tax basis. The tax liabilities relating to operations are reported separately as part of the

Tax Equalization Fund in the financial statements of the United Nations, volume I, which also has a financial reporting date of 31 December.

159. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) of 15 December 1955 to equalize the net pay of all staff members whatever their national tax obligations. The Tax Equalization Fund operationally reports as income the staff assessment in respect of staff members financed under the regular budget, and the International Residual Mechanism for Criminal Tribunals and assessed peacekeeping operations. The Tax Equalization Fund includes as expenditure the credits against the regular budget, peacekeeping, the Mechanism and tribunals' assessments of Member States that do not levy taxes on the United Nations income of their nationals.

160. Member States that do levy income taxes on their nationals working for the Mechanism do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members for taxes they had to pay on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds.

161. As at 31 December 2014, as reflected in the latest unaudited financial statements of the United Nations, volume I, the cumulative surplus of the Tax Equalization Fund payable to the United States of America was $36.8 million. In addition, the Tax Equalization Fund had an estimated tax liability of $23.3 million relating to the 2014 and prior tax years which was disbursed in the first two quarters of 2015. The Tax Equalization Fund had fund balances and reserves of $36.5 million.

Note 21
Leases and commitments

Operating leases

162. The Mechanism did not enter into operating leases for the use of premises and equipment in 2014 and was using the premises and equipment of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda for its operation and paid its share of the rent to the two Tribunals. On 5 February 2014, the Government of the United Republic of Tanzania granted the Arusha branch of the International Residual Mechanism for Criminal Tribunals a 99-year exclusive right of occupancy to a parcel of land in Arusha measuring approximately 6.549 hectares. This donated right of occupancy to the land shall be recognized in the accounts in the year the construction starts. As authorized by the General Assembly, the construction of the premises commenced in 2015 and is expected to be completed by 2016.

Open contractual commitments

163. At the reporting date, the commitments for property, plant and equipment (including contractual commitments for assets under construction) and goods and services contracted but not delivered were:

Total open contractual commitments

(Thousands of United States dollars)

	As at 31 December 2014
Property, plant and equipment	387
Goods and services	976
Total open contractual commitments	**1 363**

Note 22
Contingent liabilities and contingent assets

164. In the normal course of operations, the Mechanism is subject to claims which can be categorized as corporate and commercial; administrative law; and other such as guarantees. At the reporting date, there were no contingent assets or liabilities.

Note 23
Future operations

165. By its resolution 1966 (2010), the Security Council established the International Residual Mechanism for Criminal Tribunals, with two branches, one for the International Criminal Tribunal for Rwanda, and one for the International Tribunal for the Former Yugoslavia, in order to carry out a number of essential functions, such as the trial of fugitives, after the closure of both Tribunals. The Arusha branch commenced operations on 1 July 2012 for an initial period of four years. During the initial period of the Mechanism's work, there has been a temporary overlap with the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia as those institutions complete remaining work on any trial or appeal proceedings that are pending as at the commencement dates of the respective branches of the Mechanism. During the year, the Mechanism coexisted with both Tribunals and shared resources and provided mutual support and coordination.

166. The President of the International Criminal Tribunal for Rwanda submitted a letter addressed to the President of the Security Council on 15 May 2015 (S/2015/340) to transmit the assessments of the President and the Prosecutor of the implementation of the completion strategy for the International Criminal Tribunal for Rwanda. Also on 15 May 2015, the President of the International Tribunal for the Former Yugoslavia submitted a letter addressed to the President of the Security Council (S/2015/342) to transmit the assessments of the President and the Prosecutor of the implementation of the completion strategy for the International Tribunal for the Former Yugoslavia, the support for the Mechanism and the completion of the trials and appeals procedures. The President of the Mechanism also submitted a letter dated 15 May 2015 addressed to the President of the Security Council (S/2015/341) providing a similar update on operations.

167. On 18 December 2014, the Security Council requested, in its resolutions 2193 (2014) and 2194 (2014), the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda to complete their work and facilitate the closure of the Tribunals as expeditiously as possible with the aim of completing the transition to the Mechanism.

Note 24
Events after the reporting date

168. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Appendix

Abbreviations

ICTR	International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994
ICTY	International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991
IPSAS	International Public Sector Accounting Standards
UNORE	United Nations Operational Rates of Exchange

15-12146 (E) 260815

Please recycle